



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WASHINGTON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
WASHINGTON COUNTY FISCAL COURT
FISCAL YEAR ENDED JUNE 30, 2000

The Auditor of Public Accounts has completed the Washington County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$177,050 from the prior fiscal year, resulting in a cash surplus of \$642,218 as of June 30, 2000. Revenues decreased by \$164,132 from the prior year and disbursements decreased by \$486,520.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable John A. Settles, Washington County Judge/Executive
Members of the Washington County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Washington County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Washington County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Washington County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Washington County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable John A. Settles, Washington County Judge/Executive

Members of the Washington County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Washington County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2000 on our consideration of Washington County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
November 2, 2000

WASHINGTON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

John A. Settles	County Judge/Executive
Ernest Reed Goff	Magistrate
Billy Riney, Jr.	Magistrate
Terry L. Tingle	Magistrate
Edward Gregory Simms	Magistrate
Harold Simeon Cambron	Magistrate
Hal B. Goode	Magistrate

Other Elected Officials:

Hamilton B. Simms	County Attorney
Steve Hardin	Jailer
A. H. Robertson, Sr.	County Clerk
George Graves	Circuit Court Clerk
Tommy Bartley	Sheriff
Margaret Platt	Property Valuation Administrator
Fred Carey	Coroner

Appointed Personnel:

Carla D. Hardin	County Treasurer
George Ann Palmer	Occupational Tax Administrator
Sheila D. Smith	Payroll Officer
James Albert Wimsatt	Road Supervisor
Fred Armstrong	911 Administrator

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

WASHINGTON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets

General Fund Type

General Fund:	
Cash	\$ 462,687
Road and Bridge Fund:	
Cash	169,800
Jail Fund:	
Cash	686
Local Government Economic Assistance Fund:	
Cash	9,045
Payroll Revolving Account:	<u>13,746</u>
Cash	
Total Assets	<u><u>\$ 655,964</u></u>

Liabilities and Fund Balances

Liabilities

General Fund Types

Payroll Revolving Account:	\$ 13,746
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Fund Balances

Unreserved

General Fund Type

General Fund	462,687
Road and Bridge Fund	169,800
Jail Fund	686
Local Government Economic Assistance Fund	<u>9,045</u>
Total Liabilities and Fund Balances	<u><u>\$ 655,964</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WASHINGTON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,640,397	\$ 1,694,992	\$ 840,969	\$ 42,844
Transfers In	228,229		57,376	170,853
Kentucky Advanced Revenue Program	615,755	513,545	102,210	
Lease-Purchase Proceeds	51,981		51,981	
Total Cash Receipts	<u>\$ 3,536,362</u>	<u>\$ 2,208,537</u>	<u>\$ 1,052,536</u>	<u>\$ 213,697</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,518,396	\$ 1,371,478	\$ 877,182	\$ 216,480
Transfers Out	228,229	228,229		
Kentucky Advanced Revenue Program- Repaid	615,755	513,545	102,210	
Total Cash Disbursements	<u>\$ 3,362,380</u>	<u>\$ 2,113,252</u>	<u>\$ 979,392</u>	<u>\$ 216,480</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 173,982	\$ 95,285	\$ 73,144	\$ (2,783)
Cash Balance - July 1, 1999	<u>468,236</u>	<u>367,402</u>	<u>96,656</u>	<u>3,469</u>
Cash Balance - June 30, 2000	<u>\$ 642,218</u>	<u>\$ 462,687</u>	<u>\$ 169,800</u>	<u>\$ 686</u>

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Special Revenue Fund Type	
Local		
Government		
Economic	Fredericktown	
Assistance	Project	
Fund	Fund	
\$ 31,238	\$ 30,354	
\$ 31,238	\$ 30,354	
\$ 22,902	\$ 30,354	
\$ 22,902	\$ 30,354	
\$ 8,336	\$	
709		
\$ 9,045	\$ 0	

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Washington County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included no component units as part of the reporting entity.

Additional – Washington County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Washington County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Washington County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1. General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Washington County General Fund Type includes the following county funds: The General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2. Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Fredericktown Project Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Washington County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Note 1.E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Library is considered a related organization of Washington County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, and August 31, 1999, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Year End Balance
Willisburg Fire Truck	8/25/1995	10/1/2005	4.00%	\$ 24,426
Mackville Fire Truck	5/20/1998	5/20/2008	6.24%	\$ 74,000
Rescue Vehicle	2/10/1999	1/20/2007	4.13%	\$ 39,000

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WASHINGTON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,485,155	\$ 1,694,992	\$ 209,837
Road and Bridge Fund	941,271	840,969	(100,302)
Jail Fund	36,787	42,844	6,057
Local Government Economic Assistance Fund	22,193	31,238	9,045
<u>Special Revenue Fund Type</u>			
Fredericktown Project Fund	30,354	30,354	
Totals	<u>\$ 2,515,760</u>	<u>\$ 2,640,397</u>	<u>\$ 124,637</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,515,760
Add: Budgeted Prior Year Surplus			<u>468,243</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,984,003</u>

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SCHEDULE OF OPERATING REVENUE

WASHINGTON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND TYPES

	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
<u>REVENUE:</u>			
Taxes	\$ 1,256,868	\$ 1,256,868	\$
Excess Fees	6,855	6,855	
License and Permits	24,456	24,456	
Intergovernmental Revenues	988,312	957,958	30,354
Charges for Services	270,536	270,536	
Miscellaneous Revenues	60,092	60,092	
Interest Earned	33,278	33,278	
Total Operating Revenue	<u>\$ 2,640,397</u>	<u>\$ 2,610,043</u>	<u>\$ 30,354</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WASHINGTON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 490,087	\$ 497,551	\$ (7,464)
Protection to Persons and Property	784,725	742,330	42,395
General Health and Sanitation	102,450	78,837	23,613
Social Services	14,300	4,810	9,490
Recreation and Culture	31,412	1,840	29,572
Transportation Facilities and Services	6,100	3,890	2,210
Roads	678,039	756,360	(78,321)
Bus Service	17,000	23,287	(6,287)
Debt Service	43,075	78,766	(35,691)
Capital Projects	117,500	12,500	105,000
Administration	668,961	287,871	381,090
Total Operating Budget - All General Fund Types	\$ 2,953,649	\$ 2,488,042	\$ 465,607
Other Financing Uses:			
Kentucky Advanced Revenue Program- Principal	615,755	615,755	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 3,569,404</u>	<u>\$ 3,103,797</u>	<u>\$ 465,607</u>
Expenditure Category	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	<u>\$ 30,354</u>	<u>\$ 30,354</u>	

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable John A. Settles, Washington County Judge/Executive
Members of the Washington County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Washington County Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable John A. Settles, Washington County Judge/Executive
Members of the Washington County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 2, 2000

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

WASHINGTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

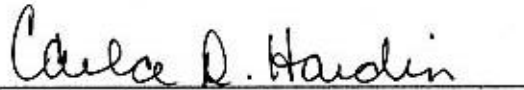
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
WASHINGTON COUNTY FISCAL COURT

June 30, 2000

The Washington County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



John A. Settles
County Judge/Executive



Carla Hardin
County Treasurer